

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1151

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 38-803, Arizona Revised Statutes, is amended to
3 read:

4 38-803. Powers and duties of the fund manager

5 A. The fund manager, in the administration, management and operation
6 of the plan and fund, shall:

7 1. Account for the operation, administration and investment expenses
8 and allocate them against investment income.

9 2. Contract on a fee basis with an actuary to make an actuarial
10 valuation of the plan based on the valuation method and valuation assumptions
11 recommended by the actuary and approved by the fund manager. The actuary
12 shall be a member of the American academy of actuaries.

13 3. Contract on a fee basis with an independent auditing firm to make
14 an annual audit of the accounting records of the fund and file a copy of the
15 audit with the auditor general.

16 4. Invest the monies in the fund as provided in ~~section 38-848~~ ARTICLE
17 4 OF THIS CHAPTER.

18 5. Within a period of six months after the close of each fiscal year,
19 submit a detailed report of the operation and the investment performance of
20 the plan to the governor, the legislature and the members of the plan.

21 6. By November 1 of each year provide a preliminary report and by
22 December 15 of each year provide a final report to the governor, the speaker
23 of the house of representatives and the president of the senate on the
24 contribution rate for the ensuing fiscal year.

25 B. The fund manager, in the administration, management and operation
26 of the plan and fund, may:

27 1. Employ services as it deems necessary.

1 2. Either keep invested monies separate or commingle invested monies
2 as it deems appropriate.

3 3. Delegate authority as it deems necessary and prudent to the
4 administrator employed pursuant to section 38-848, subsection K, paragraph 6.

5 4. Do all acts, whether expressly authorized, which may be deemed
6 necessary or proper for the protection of the fund.

7 Sec. 2. Section 38-848, Arizona Revised Statutes, is amended to read:

8 38-848. Fund manager

9 A. The fund manager shall consist of five members and shall have the
10 rights, powers and duties that are set forth in this section. The term of
11 office of members shall be three years to expire on the third Monday in
12 January of the appropriate year. Members are eligible to receive
13 compensation in an amount of fifty dollars a day, but not to exceed one
14 thousand dollars in any one fiscal year, and are eligible for reimbursement
15 of expenses pursuant to chapter 4, article 2 of this title. The fund manager
16 consists of the following members appointed by the governor pursuant to
17 section 38-211:

18 1. One elected member from a local board to represent the employees.

19 2. One member to represent this state as an employer of public safety
20 personnel. This member shall have the qualifications prescribed in
21 subsection R of this section.

22 3. One member to represent the cities as employers of public safety
23 personnel.

24 4. An elected county or state official or a judge of the superior
25 court, court of appeals or supreme court.

26 5. One public member. This member shall have the qualifications
27 prescribed in subsection R of this section.

28 B. All monies in the fund shall be deposited and held in a public
29 safety personnel retirement system depository. Monies in the fund shall be
30 disbursed from the depository separate and apart from all monies or funds of
31 ~~the~~ THIS state and the agencies, instrumentalities and subdivisions ~~thereof~~
32 OF THIS STATE, EXCEPT THAT THE FUND MANAGER MAY COMMINGLE THE ASSETS OF THE

1 FUND AND THE ASSETS OF ALL OTHER PLANS ENTRUSTED TO ITS MANAGEMENT, SUBJECT
2 TO THE CREDITING OF RECEIPTS AND EARNINGS AND CHARGING OF PAYMENTS TO THE
3 APPROPRIATE EMPLOYER, SYSTEM OR PLAN. The monies shall be secured by the
4 depository in which they are deposited and held to the same extent and in the
5 same manner as required by the general depository law of ~~the~~ THIS state. FOR
6 PURPOSES OF MAKING THE DECISION TO INVEST IN SECURITIES OWNED BY THE FUND OR
7 ANY PLAN ADMINISTERED BY THE FUND MANAGER, the fund ~~is~~ AND ASSETS OF THE
8 PLANS ARE subject to the sole management of the fund manager for the purpose
9 of this article EXCEPT THAT, ON THE FUND MANAGER'S ELECTION TO INVEST IN A
10 PARTICULAR SECURITY OR MAKE A PARTICULAR INVESTMENT, THE ASSETS COMPRISING
11 THE SECURITY OR INVESTMENT MAY BE CHOSEN AND MANAGED BY THIRD PARTIES
12 APPROVED BY THE FUND MANAGER. THE FUND MANAGER MAY INVEST IN PORTFOLIOS OF
13 SECURITIES CHOSEN AND MANAGED BY A THIRD PARTY. THE FUND MANAGER'S DECISION
14 TO INVEST IN SECURITIES SUCH AS MUTUAL FUNDS, COMMINGLED INVESTMENT FUNDS,
15 EXCHANGE TRADED FUNDS, PRIVATE EQUITY OR VENTURE CAPITAL LIMITED
16 PARTNERSHIPS, REAL ESTATE LIMITED PARTNERSHIPS OR LIMITED LIABILITY COMPANIES
17 AND REAL ESTATE INVESTMENT TRUSTS WHOSE ASSETS ARE CHOSEN AND MANAGED BY
18 THIRD PARTIES DOES NOT CONSTITUTE AN IMPROPER DELEGATION OF THE FUND
19 MANAGER'S INVESTMENT AUTHORITY.

20 C. All contributions under this system AND OTHER RETIREMENT PLANS THAT
21 THE FUND MANAGER ADMINISTERS shall be forwarded to the fund manager and shall
22 be held, invested and reinvested by the fund manager AS PROVIDED IN THIS
23 ARTICLE. All property and ~~funds~~ MONIES of the fund AND OTHER RETIREMENT
24 PLANS THAT THE FUND MANAGER ADMINISTERS, including income from investments
25 and from all other sources, shall be retained for the exclusive benefit of
26 members, as provided in the system AND OTHER RETIREMENT PLANS THAT THE FUND
27 MANAGER ADMINISTERS, and shall be used to pay benefits to members or their
28 beneficiaries or to pay expenses of operation and administration of the
29 system and fund AND OTHER RETIREMENT PLANS THAT THE FUND MANAGER ADMINISTERS.

1 D. The fund manager shall have the full power in its sole discretion
2 to invest and reinvest, alter and change the monies accumulated under the
3 system AND OTHER RETIREMENT PLANS THAT THE FUND MANAGER ADMINISTERS AS
4 PROVIDED IN THIS ARTICLE. IN ADDITION TO ITS POWER TO MAKE INVESTMENTS
5 MANAGED BY OTHERS, the fund manager may delegate the authority the fund
6 manager deems necessary and prudent to INVESTMENT MANAGEMENT PURSUANT TO
7 SECTION 38-848.03, AS WELL AS TO the administrator, employed by the fund
8 manager pursuant to subsection K, paragraph 6 of this section, and any
9 assistant administrators to invest the monies of the system AND OTHER
10 RETIREMENT PLANS THAT THE FUND MANAGER ADMINISTERS if the administrator,
11 INVESTMENT MANAGEMENT and any assistant administrators follow the investment
12 policies that are promulgated by the fund manager. The fund manager may
13 commingle securities and monies of the fund, THE ELECTED OFFICIALS'
14 RETIREMENT PLAN, THE CORRECTIONS OFFICER RETIREMENT PLAN AND OTHER PLANS OR
15 MONIES ENTRUSTED TO ITS CARE, subject to the crediting of receipts and
16 earnings and charging of payments to the account of the appropriate employer,
17 SYSTEM OR PLAN. In making every investment, the fund manager shall exercise
18 the judgment and care under the circumstances then prevailing which persons
19 of ordinary prudence, discretion and intelligence exercise in the management
20 of their own affairs, not in regard to speculation but in regard to the
21 permanent disposition of their funds, considering the probable income from
22 their funds as well as the probable safety of their capital, provided:

23 1. That not more than ~~seventy~~ EIGHTY per cent of the ~~pension-fund~~
24 COMBINED ASSETS OF THE SYSTEM OR OTHER PLANS THAT THE FUND MANAGER MANAGES
25 shall be invested at any given time in corporate stocks, based on cost value
26 of such stocks irrespective of capital appreciation.

27 2. That no more than five per cent of the ~~pension-fund~~ COMBINED ASSETS
28 OF THE SYSTEM OR OTHER PLANS THAT THE FUND MANAGER MANAGES shall be invested
29 in ~~securities~~ CORPORATE STOCK issued by any one ~~institution, agency or~~
30 corporation, other than ~~securities~~ CORPORATE STOCK issued ~~as direct~~
31 ~~obligations of and fully guaranteed~~ by CORPORATIONS CHARTERED BY the United
32 States government OR CORPORATE STOCK ISSUED BY A BANK OR INSURANCE COMPANY.

1 3. That not more than five per cent of the voting stock of any one
2 corporation shall be owned BY THE SYSTEM AND OTHER PLANS THAT THE FUND
3 MANAGER ADMINISTERS, EXCEPT THAT THIS LIMITATION DOES NOT APPLY TO MEMBERSHIP
4 INTERESTS IN LIMITED LIABILITY COMPANIES.

5 4. That corporate stocks and exchange traded funds eligible for
6 purchase shall be restricted to stocks and exchange traded funds that, except
7 for bank stocks, insurance stocks and membership interests in limited
8 liability companies, are either:

9 (a) Listed or approved on issuance for listing on an exchange
10 registered under the securities exchange act of 1934, as amended (15 United
11 States Code sections 78a through 7811).

12 (b) Designated or approved on notice of issuance for designation on
13 the national market system of a national securities association registered
14 under the securities exchange act of 1934, as amended (15 United States Code
15 sections 78a through 7811).

16 (c) Listed or approved on issuance for listing on an exchange
17 registered under the laws of this state or any other state.

18 (d) Listed or approved on issuance for listing on an exchange of a
19 foreign country with which the United States is maintaining diplomatic
20 relations at the time of purchase, except that no more than ~~ten~~ TWENTY per
21 cent of the ~~pension-fund~~ COMBINED ASSETS OF THE SYSTEM AND OTHER PLANS THAT
22 THE FUND MANAGER MANAGES shall be invested in foreign ~~equity~~ securities ~~on~~
23 ~~these exchanges~~, based on the cost value of the stocks irrespective of
24 capital appreciation.

25 (e) An exchange traded fund that is recommended by the chief
26 investment officer of the system, that is registered under the investment
27 company act of 1940 (15 United States Code ~~section~~ SECTIONS 80a-1 THROUGH
28 80a-64) and that is both traded on a public exchange and based on a publicly
29 recognized index.

30 E. Notwithstanding any other law, the fund manager shall not be
31 required to invest in any type of investment that is dictated or required by
32 any entity of the federal government and that is intended to fund economic

1 development projects, public works or social programs, but may consider such
2 economically targeted investments pursuant to its fiduciary responsibility.
3 The fund manager, on behalf of the system, may invest in, lend monies to or
4 guarantee the repayment of monies by a limited liability company, limited
5 partnership, joint venture, partnership, limited liability partnership or
6 trust in which the system has a financial interest, whether the entity is
7 closely held or publicly traded and that, in turn, may be engaged in any
8 lawful activity, including VENTURE CAPITAL, PRIVATE EQUITY, the ownership,
9 development, management, improvement or operation of real property and any
10 improvements or businesses on real property or the lending of monies.

11 F. Conference call meetings of the fund manager of the public safety
12 personnel retirement system ~~which~~ THAT are held for investment purposes only
13 are not subject to chapter 3, article 3.1 of this title, except that the fund
14 manager shall maintain minutes of these conference call meetings and make
15 them available for public inspection within twenty-four hours after the
16 meeting. The fund manager shall review the minutes of each conference call
17 meeting and shall ratify all legal actions taken during each conference call
18 meeting at the next scheduled meeting of the fund manager.

19 G. The fund manager shall not be held liable for the exercise of more
20 than ordinary care and prudence in the selection of investments and
21 performance of its duties under the system and shall not be limited to
22 so-called "legal investments for trustees", but all ~~funds~~ MONIES of the
23 system AND OTHER PLANS THAT THE FUND MANAGER ADMINISTERS shall be invested
24 subject to all of the conditions, limitations and restrictions imposed by
25 law.

26 H. Except as provided in subsection D of this section, the fund
27 manager may:

28 1. Invest and reinvest the principal and income of ~~the pension fund~~
29 ALL ASSETS THAT THE FUND MANAGER MANAGES without distinction between
30 principal and income.

31 2. Sell, exchange, convey, transfer or otherwise dispose of any
32 investments ~~of the fund held~~ MADE ON BEHALF OF THE SYSTEM OR OTHER PLANS THE

1 FUND MANAGER ADMINISTERS in the name of the system OR PLANS by private
2 contract or at public auction.

3 3. Also:

4 (a) Vote ~~upon~~ ON any stocks, bonds or other securities.

5 (b) Give general or special proxies or powers of attorney with or
6 without power of substitution.

7 (c) Exercise any conversion privileges, subscription rights or other
8 options and make any payments incidental to the exercise of the conversion
9 privileges, subscription rights or other options.

10 (d) Consent to or otherwise participate in corporate reorganizations
11 or other changes affecting corporate securities, delegate discretionary
12 powers and pay any assessments or charges in connection therewith.

13 (e) Generally exercise any of the powers of an owner with respect to
14 stocks, bonds, securities or other investments held in ~~the fund~~ OR OWNED BY
15 THE SYSTEM OR OTHER PLANS WHOSE ASSETS THE FUND MANAGER ADMINISTERS.

16 4. Make, execute, acknowledge and deliver any other instruments that
17 may be necessary or appropriate to carry out the powers granted in this
18 section.

19 5. Register any investment held ~~in the fund in the name of the fund~~ BY
20 THE SYSTEM OR OTHER PLANS WHOSE ASSETS THE FUND MANAGER ADMINISTERS IN THE
21 NAME OF THE SYSTEM OR PLAN or in the name of a nominee.

22 6. At the expense of the system OR OTHER PLANS THAT THE FUND MANAGER
23 ADMINISTERS, enter into an agreement with any bank or banks for the
24 safekeeping and handling of securities and other investments coming into the
25 possession of the fund manager. The agreement shall be entered into under
26 terms and conditions that secure the proper safeguarding, inventory,
27 withdrawal and handling of the securities and other investments. No access
28 to and no deposit or withdrawal of the securities from any place of deposit
29 selected by the fund manager shall be permitted or made except as the terms
30 of the agreement may provide.

31 7. Appear before local boards and the courts of this state and
32 political subdivisions of this state through counsel or appointed

1 representative to protect the fund ~~OR THE ASSETS OF OTHER PLANS THAT THE FUND~~
2 ~~MANAGER ADMINISTERS~~. The fund manager is not responsible for the actions or
3 omissions of the local boards under this system but may seek review or
4 rehearing of actions or omissions of local boards. The fund manager does not
5 have a duty to review actions of the local boards but may do so in its
6 discretion in order to protect the fund.

7 8. Empower the fund administrator to take actions on behalf of the
8 fund manager that are necessary for the protection and administration of the
9 fund ~~in accordance with~~ ~~OR THE ASSETS OF OTHER PLANS THAT THE FUND MANAGER~~
10 ~~ADMINISTERS PURSUANT TO~~ the guidelines of the fund manager.

11 9. Do all acts, whether or not expressly authorized, that may be
12 deemed necessary or proper for the protection of the investments held in the
13 fund ~~OR OWNED BY OTHER PLANS THAT THE FUND MANGER ADMINISTERS~~.

14 I. Investment expenses and operation and administrative expenses of
15 the fund manager shall be accounted for separately and allocated against
16 investment income.

17 J. The fund manager, as soon as possible within a period of six months
18 following the close of any fiscal year, shall transmit to the governor and
19 the legislature ~~an annual statement~~ ~~A COMPREHENSIVE ANNUAL FINANCIAL REPORT~~
20 on the operation of the system ~~AND OTHER PLANS THAT THE FUND MANAGER~~
21 ~~ADMINISTERS~~ containing, among other things:

22 1. A balance sheet.
23 2. A statement of income and expenditures for the year.
24 3. A report on an actuarial valuation of its assets and liabilities.
25 4. A detailed statement of the investments acquired and disposed of
26 during the year.

27 5. A list of investments owned.
28 6. The total rate of return, yield on cost, and per cent of cost to
29 market value of the fund ~~AND THE ASSETS OF OTHER PLANS THAT THE FUND MANAGER~~
30 ~~ADMINISTERS~~.

31 7. Any other statistical and financial data that may be necessary for
32 the proper understanding of the financial condition of the system ~~AND OTHER~~

1 PLANS THAT THE FUND MANAGER ADMINISTERS and the results of ~~its~~ THEIR
2 operations. A synopsis of the annual report shall be published for the
3 information of members of the system, THE ELECTED OFFICIALS' RETIREMENT PLAN
4 OR THE CORRECTIONS OFFICER RETIREMENT PLAN.

5 K. The fund manager shall:

6 1. Maintain the accounts of the system AND OTHER PLANS THAT THE FUND
7 MANAGER ADMINISTERS and issue statements to each employer annually and to
8 each member who may request it.

9 2. Report the results of the actuarial valuations to the local boards
10 and employers.

11 3. Contract on a fee basis with an independent investment counsel to
12 advise the fund manager in the investment management of the fund AND ASSETS
13 OF OTHER PLANS THAT THE FUND MANAGER ADMINISTERS and with an independent
14 auditing firm to audit the fund manager's accounting.

15 4. Permit the auditor general to make an annual audit and the results
16 shall be transmitted to the governor and the legislature.

17 5. Contract on a fee basis with an actuary who shall make actuarial
18 valuations of the system AND OTHER PLANS THAT THE FUND MANAGER ADMINISTERS,
19 be the technical adviser of the fund manager on matters regarding the
20 operation of the funds created by the provisions of the system, THE ELECTED
21 OFFICIALS' RETIREMENT PLAN, THE CORRECTIONS OFFICER RETIREMENT PLAN AND THE
22 FIRE FIGHTER AND PEACE OFFICER CANCER INSURANCE POLICY PROGRAM and perform
23 other duties required in connection therewith. The actuary must be a member
24 of a nationally recognized association or society of actuaries.

25 6. Employ, as administrator, a person, state department or other body
26 to serve at the pleasure of the fund manager.

27 7. Establish procedures and guidelines for contracts with actuaries,
28 auditors, investment counsel and legal counsel and for safeguarding of
29 securities.

30 L. The administrator, under the direction of the fund manager, shall:

31 1. Administer this article.

1 2. Invest the funds of the system AND OTHER PLANS THAT THE FUND
2 MANAGER ADMINISTERS as the fund manager deems necessary and prudent as
3 provided in subsections D and H of this section and subject to the investment
4 policies and fund objectives promulgated by the fund manager.

5 3. Establish and maintain an adequate system of accounts and records
6 for the system AND OTHER PLANS THAT THE FUND MANAGER ADMINISTERS, which shall
7 be integrated with the accounts, records and procedures of the employers so
8 that the system AND OTHER PLANS THAT THE FUND MANAGER ADMINISTERS operates
9 most effectively and at minimum expense and that duplication of records and
10 accounts is avoided.

11 4. In accordance with the fund manager's governance policy and
12 personnel rules and procedures and the budget adopted by the fund manager,
13 hire such employees and services the administrator deems necessary and
14 prescribe their duties, including the hiring of one or more assistant
15 administrators to manage the system's operations, investments and legal
16 affairs.

17 5. Be responsible for income, the collection of the income and the
18 accuracy of all expenditures.

19 6. Recommend to the fund manager annual contracts for the system's
20 actuary, auditor, investment counsel, legal counsel and safeguarding of
21 securities.

22 7. Perform additional duties and powers prescribed by the fund manager
23 and delegated to the administrator.

24 M. The system is an independent trust fund and the fund manager, the
25 administrator, the assistant administrators and all persons employed by them
26 are not under the jurisdiction of the department of administration or any
27 other agency, department or instrumentality of this state or subject to
28 section 38-611 or title 41, chapter 4 or 6. The salaries of the
29 administrator, assistant administrators and other employees of the fund
30 manager are the sole determination of the fund manager. Contracts for goods
31 and services approved by the fund manager are not subject to title 41,
32 chapter 23. As an independent trust fund whose assets are separate and apart

1 from all other funds of this state, the system and the fund manager are not
2 subject to the restrictions prescribed in section 35-154 or article IX,
3 sections 5 and 8, Constitution of Arizona.

4 N. The attorney general or an attorney approved by the attorney
5 general and paid by the fund shall be the attorney for the fund manager and
6 shall represent the fund manager in any legal proceeding or forum that the
7 fund manager deems appropriate. The fund manager, administrator, assistant
8 administrators and employees of the fund manager are not personally liable
9 for any acts done in their official capacity in good faith reliance on the
10 written opinions of the fund manager's attorney.

11 O. At least once in each five-year period after the effective date,
12 the actuary shall make an actuarial investigation into the mortality, service
13 and compensation experience of the members and beneficiaries of the system
14 AND OTHER PLANS THAT THE FUND MANAGER ADMINISTERS and shall make a special
15 valuation of the assets and liabilities of the ~~funds~~ MONIES of the system AND
16 PLANS. Taking into account the results of the investigation and special
17 valuation, the fund manager shall adopt for the system ~~such~~ AND OTHER PLANS
18 THAT THE FUND MANAGER ADMINISTERS THOSE mortality, service and other tables
19 deemed necessary.

20 P. On the basis of the tables the fund manager adopts, the actuary
21 shall make a valuation of the assets and liabilities of the funds of the
22 system AND OTHER PLANS THAT THE FUND MANAGER ADMINISTERS not less frequently
23 than every year. By November 1 of each year the fund manager shall provide a
24 preliminary report and by December 15 of each year provide a final report to
25 the governor, the speaker of the house of representatives and the president
26 of the senate on the contribution rate for the ensuing fiscal year.

27 Q. Neither the fund manager nor any member or employee of the fund
28 manager shall directly or indirectly, for himself or as an agent, in any
29 manner use the monies or deposits of the fund except to make current and
30 necessary payments, nor shall the fund manager or any member or employee
31 become an endorser or surety or in any manner an obligor for monies loaned by

1 or borrowed from the fund OR THE ASSETS OF ANY OTHER PLANS THAT THE FUND
2 MANAGER ADMINISTERS.

3 R. The members of the fund manager who are appointed pursuant to
4 subsection A, paragraphs 2 and 5 of this section shall have at least ten
5 years' substantial experience as any one or a combination of the following:

6 1. A portfolio manager acting in a fiduciary capacity.

7 2. A securities analyst.

8 3. An employee or principal of a trust institution, investment
9 organization or endowment fund acting either in a management or an investment
10 related capacity.

11 4. A chartered financial analyst in good standing as determined by the
12 association for investment management and research.

13 5. A professor at the university level teaching economics or
14 investment related subjects.

15 6. An economist.

16 7. Any other professional engaged in the field of public or private
17 finances.

18 S. Financial or commercial information that is provided to the fund
19 manager, employees of the fund manager and attorneys of the fund manager in
20 connection with investments in which the fund manager has invested or
21 investments the fund manager has considered for investment is confidential,
22 proprietary and not a public record if the information is information that
23 would customarily not be released to the public by the person or entity from
24 whom the information was obtained.

25 Sec. 3. Title 38, chapter 5, article 4, Arizona Revised Statutes, is
26 amended by adding section 38-848.03, to read:

27 38-848.03. Investment managers

28 A. THE FUND MANAGER MAY APPOINT INVESTMENT MANAGEMENT. INVESTMENT
29 MANAGEMENT SHALL HAVE:

30 1. THE HIGHEST PROFESSIONAL AND FIDUCIARY RECOMMENDATIONS.

31 2. NOT LESS THAN THREE YEARS' EXPERIENCE AT HANDLING INSTITUTIONAL
32 INVESTMENTS OF AT LEAST TWO HUNDRED FIFTY MILLION DOLLARS. THIS PARAGRAPH IS

1 SATISFIED IF INVESTMENT MANAGEMENT, THE INDIVIDUAL RETAINED BY INVESTMENT
2 MANAGEMENT OR INDIVIDUAL EMPLOYEES IN A FIRM OF INVESTMENT MANAGERS MEET THIS
3 REQUIREMENT.

4 3. HAD RESPONSIBILITY FOR INVESTMENT DECISION MAKING AS AN INSURANCE
5 COMPANY INVESTMENT FUND, AN INVESTMENT DIVISION OF A BANK, A MUTUAL FUND, AN
6 INVESTMENT ORGANIZATION OR INSTITUTION, A PENSION FUND OR AN INVESTMENT
7 ADVISER WHO IS DESIGNATED AS A CHARTERED FINANCIAL ANALYST BY THE CHARTERED
8 FINANCIAL ANALYST INSTITUTE.

9 B. A BANK SERVING AS INVESTMENT MANAGEMENT DOES NOT HAVE A CONFLICT OF
10 INTEREST BECAUSE IT IS ALSO A DEPOSITORY IN WHICH ANY MONIES ADMINISTERED BY
11 THE FUND MANAGER ARE DEPOSITED.

12 C. THE FUND MANAGER SHALL APPOINT INVESTMENT MANAGEMENT FOR A TERM OF
13 ONE YEAR AND MAY APPOINT THE INVESTMENT MANAGEMENT TO SUCCEEDING TERMS. THE
14 FUND MANAGER MAY REMOVE INVESTMENT MANAGEMENT FOR NOT COMPLYING WITH THIS
15 ARTICLE OR FOR FAILURE TO COMPLY WITH OR ADHERE TO THE FUND MANAGER'S
16 INVESTMENT GOALS, OBJECTIVES OR POLICIES.

17 D. INVESTMENT MANAGEMENT APPOINTED BY THE FUND MANAGER:

18 1. MAY PURCHASE AND SELL IN THE NAME OF THE SYSTEM AND OTHER PLANS
19 THAT THE FUND MANAGER ADMINISTERS ANY OF THE SECURITIES AND INVESTMENTS HELD
20 BY THE SYSTEM OR PLANS.

21 2. SUBJECT TO ANY RESTRICTIONS IMPOSED BY THE FUND MANAGER, ARE
22 RESPONSIBLE FOR MAKING ALL INVESTMENT DECISIONS RELATING TO THE INVESTMENTS
23 THE FUND MANAGER HAS ASSIGNED INVESTMENT MANAGEMENT TO MANAGE.

24 E. INVESTMENT MANAGEMENT SHALL NOT DIRECTLY OR INDIRECTLY:

25 1. EXCEPT FOR THE FEES AGREED TO BE PAID BY THE FUND MANAGER TO
26 INVESTMENT MANAGEMENT OR AS OTHERWISE AGREED BY THE FUND MANAGER, HAVE ANY
27 INTEREST IN THE INVESTMENTS BEING MANAGED BY INVESTMENT MANAGEMENT FOR THE
28 FUND MANAGER.

29 2. BORROW MONIES, FUNDS OR DEPOSITS OF THE SYSTEM OR OTHER PLANS THAT
30 THE FUND MANAGER ADMINISTERS OR USE THESE MONIES IN ANY MANNER EXCEPT AS
31 DIRECTED UNDER THIS ARTICLE.

1 3. BE AN ENDORSER, SURETY OR OBLIGOR ON INVESTMENTS MADE UNDER THIS
2 ARTICLE.

3 F. SUBJECT TO THE LIMITATIONS IN THIS ARTICLE, THE FUND MANAGER MAY
4 AUTHORIZE THE ADMINISTRATOR, ANY ASSISTANT ADMINISTRATORS AND OTHER IN-HOUSE
5 INVESTMENT PROFESSIONALS EMPLOYED BY THE FUND MANAGER TO MAKE INVESTMENTS FOR
6 THE SYSTEM AND OTHER PLANS THAT THE FUND MANAGER ADMINISTERS THAT DO NOT
7 EXCEED FIFTY PER CENT OF THE ASSETS OF THE SYSTEM AND OTHER PLANS MEASURED AT
8 COST.

9 G. TO EXERCISE THE RESPONSIBILITIES PRESCRIBED IN THIS SECTION, THE
10 FUND MANAGER MAY ENTER INTO CONTRACTS THAT MAY BE INTERPRETED AND ENFORCED
11 UNDER THE LAWS OF A JURISDICTION OTHER THAN THIS STATE AND THAT ARE NOT
12 SUBJECT TO SECTION 35-214 OR 38-511 OR TITLE 41, CHAPTER 23.

13 Sec. 4. Emergency

14 This act is an emergency measure that is necessary to preserve the
15 public peace, health or safety and is operative immediately as provided by
16 law."

17 Amend title to conform

MARIAN A. McCLURE

1151-se-mcclure
4/1/08
10:14 AM
H:jjb